

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03
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R 140600Z APR 77
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC 7139
INFO USMISSION GENEVA
USDEL MTN GENEVA
USMISSION OECD PARIS
USMISSION EC BRUSSELS
AMEMBASSY ATHENS
AMEMBASSY NICOSIA
AMCONSUL ADANA
AMCONSUL ISTANBUL
AMCONSUL IZMIR

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E.O. 11652: N/A
TAGS: EFIN, TU
SUBJECT: TURKISH FOREIGN EXCHANGE RESERVES DECLINE

REF: STATE 41590, ANKARA 0567, ANKARA 1643, ANKARA 2209

1. TURKEY'S OFFICIAL GOLD AND FOREIGN EXCHANGE RESERVES DROPPED TO \$556 MILLION BY APRIL 1, DOWN 36 PERCENT FROM MODEST LEVEL OF DECEMBER 31, 1976, AND NOW BARELY EQUIVALENT TO ONE MONTH'S IMPORTS. COMMERCIAL BANKS HOLD ANOTHER \$65 MILLION IN FOREIGN EXCHANGE.

2. PRINCIPAL CAUSE FOR DECLINE HAS BEEN DEEPENING TRADE DIFICIT THIS YEAR, WHICH PRELIMINARY FIGURES SHOW AMOUNTED TO \$608 MILLION FOR JANUARY AND FEBRUARY COMBINED, COMPARED TO LIMITED OFFICIAL USE

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DEFICIT OF \$218 MILLION FOR SAME PERIOD LAST YEAR. JANUARY-FEBURUARY 1977 IMPORTS WERE REPORTED AT \$944 MILLION, COMPARED TO \$745 MILLION LAST YEAR, WHILE EXPORTS WERE ONLY \$336 MILLION THIS YEAR, AGAINST \$527 MILLION LAST YEAR. INCREASE IN IMPORTS WAS LARGELY IN AREA OF INDUSTRIAL GOODS FOR INVESTMENT PURPOSES. DECLINE IN EXPORTS WAS ATTRIBUTABLE MAINLY TO REDUCED EXPORTS OF COTTON AND TOBACCO THIS YEAR,

DUE TO SHORTAGE OF COTTON FOR EXPORT AND TO BUYER RESISTANCE TOWARD HIGH MINIMUM EXPORT PRICES FOR TABACCO. SMALL INCREASE IN WORKERS' REMITTANCES, BIGGEST SINGLE INVISIBLES ITEM (UP \$17 MILLION OVER FIRST TWO MONTHS OF LAST YEAR T \$145 MILLION), WAS INSIGNIFICANT IN TOTAL PICTURE.

3. COMMENT. JOHN OLDS, ASSISTANT REASURER, CHASE MANHATTAN BANK (CMB), NEW YORK, CALLING AT EMBASSY APRIL 11, ESTIMATED THAT TURKISH CENTRAL BANK WAS OVERDRAWN LAST DECEMBER WITH MAJOR NEW YORK BANKS BY TOTAL OF \$120-\$150 MILLION. HE GUESSED THAT OVERDRAFT WAS PROBABLY OF SAME MAGNITUDE NOW. CMB, HE SAID, DOES NOT MIND OVERDRAFT OF \$2 MILLION OR SO FOR A FEW DAYS, BUT WHEN SUM EDGES UPWARD AND OVERDRAFT DRAGS ON, CMB, LIKE OTHER BANKS, BECOMES UNEASY. CMB HAS INSISTED ON REGULARIZING SUCH SITUATIONS BY CONVERTING OVERDRAFTS INTO LOANS WITH INTEREST CHARGES. IN ONE SUCH INSTANCE, AT ENTREATY OF TURKS, CMB RELUCTANTLY EXTENDED TWICE, TO TOTAL OF 90 DAYS, 30-DAY CREDIT FOR \$20 MILLION, TO COVER OVERDRAFT.

4. OLDS CONSIDERED THAT LENDING BY NEW YORK BANKS TO TURKEY HAD REACHED ITS PEAK FOR TIME BEING BECAUSE OF CONCERN OVER TURKEY'S ABILITY TO REPAY ON SCHEDULE AND PENDING OUTCOME OF TURKISH ELECTIONS. HE KNEW THAT MIDLAND AND BARCLAY'S HAD REACHED THEIR LENDING CEILINGS FOR TURKEY. WHILE CMB HAS NO DEFINED COUNTRY CEILINGS ITSELF, OLDS SAID THAT HIS BANK WAS TURNING OVER LOANS BUT WAS NOT INCREASING ITS OVERALL EXPOSURE IN TURKEY.

5. CENTRAL BANK GOVERNOR SADIKLAR, HE SAID, EXPLORED LIMITED OFFICIAL USE

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RECEPTIVITY OF FIVE OR SIX BIG NEW YORK BANKS TO IDEA OF PUTTING TOGETHER "STANDY FACILITY/ OF \$500-600 MILLION TOTAL FOR TURKEY DURING VISIT TERE IN LATE FEBRUARY (ANKARA 0567). OLDS, WHO SAT IN ON SADIKLAR'S TALKS AT CMB, SAID THAT GOVERNOR DID NOT GET TO POINT OF MAKING SPECIFIC REQUEST. CMB OFFICERS SUGGESTED THAT HE NOT ASK THEM DIRECTLY TO SPARE THEM FROM HAVING TO SAY /NO". OLDS CLAIMED THAT REACTION OF OTHER MAJOR NEW YORK BANKS WAS GENERALLY SIMILAR. HE UNDERSTOOD MORGAN GUARANTY TO BE THE MOST AMENABLE TO THE IDEA. BANKERS TRUST WAS FIRMLY AGAINST IT.

6. OLDS SAID THAT CMB REGULARLY CHECKS THE MARKET TO KEEP ABREAST OF ACTIVITY WITH RESPECT TO TURKEY. CURENTLY HE HAS NO WORD OF ANY SYNDICATIONS FOR TURKEY BEING PUT TOGETHER, EITHER IN US OR IN EUROPE.
MACOMBER

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Message Attributes

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Control Number: n/a
Copy: SINGLE
Sent Date: 14-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
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Executive Order: N/A
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From: ANKARA
Handling Restrictions: n/a
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Line Count: 113
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Litigation Codes:
Litigation History: Hold (001 Tobacco) added on 4/16/2009 3:39:08 PM by WASHDCMcGoldRJ, Hold (001 Tobacco) removed on 4/16/2009 3:45:06 PM by WASHDCMcGoldRJ (Litigation Hold Lifted)
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